

INSURANCE FRAUD NEWSLETTER

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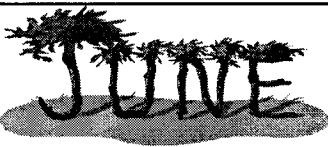
Mike Huckabee
Governor



Mike Pickens
Insurance Commissioner

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MESSAGE FROM THE DIRECTOR

In the previous edition of the Insurance Fraud Newsletter, I addressed the issue of "soft" insurance fraud - generally a crime of opportunity where policyholders or claimants exaggerate claims. In this issue, the problem of "hard" insurance fraud comes glaringly into the spotlight.

"Hard" insurance fraud is usually a deliberate attempt to stage or invent an accident, theft, arson, etc., that is covered by insurance (often fraudulently obtained as well). It is perpetrated by casual opportunists and organized persons. The casual opportunist may be an otherwise law-abiding citizen who gets behind in his car payments and "arranges" its theft and destruction. The organized version of "hard" insurance fraud looks like the case spotlighted on page 2.

"Operation Sudden Brake" resulted in the arrest of the largest staged accident ring uncovered in Arkansas to date. Led by the efforts of the Ft. Smith Police Department, the Insurance Department's Fraud Investigation Division and the FBI, law enforcement agencies gathered forces to infiltrate and bust a dangerous band of insur-

ance fraudsters that egregiously endangered and abused children as young as seven years old as part of their scheme to collect insurance benefits.

The ring was operated by individuals with lengthy criminal records, as have many suspects now being investigated by the Fraud Investigation Division. This atmosphere has led to the conclusion that the Fraud Investigation Division must be granted full law enforcement powers in order for its investigators to adequately protect themselves and efficiently combat insurance fraud. The effort to obtain such powers will be the focal point of the legislative session starting in January.

In order to have the upper hand on those committing both "soft" and "hard" insurance fraud, full law enforcement powers is necessary and deserves your full support. You can look forward to more details on this issue in the January 2001 edition of this newsletter.

Martin J. Nevrla

FRAUD REFERRAL UPDATE

- To remove your name from our mailing list, contact Jeannie Lacour at 501-371-2790
- Check our website at: <http://www.state.ar.us/insurance/fraudinvestigation/index.html>
- The top 3 categories of fraud continue to be workers' comp employee fraud, insurance agent malfeasance and property/auto

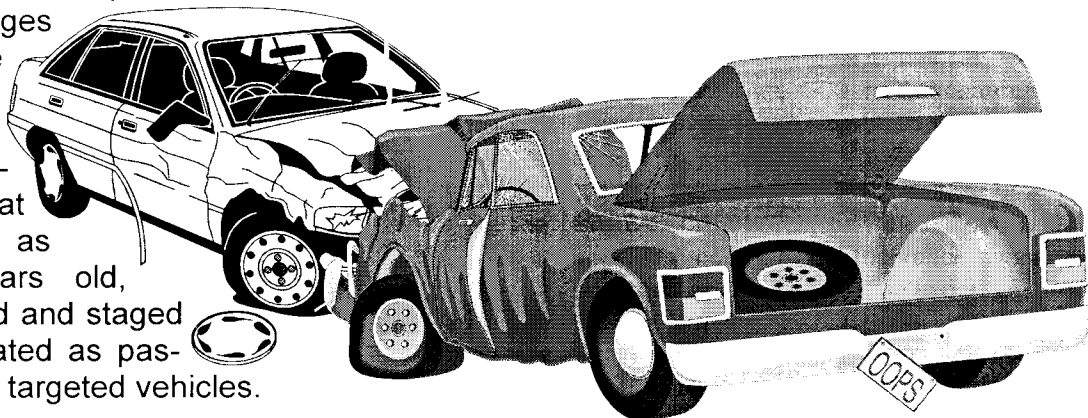
SPOTLIGHT ON FRAUD



Family Endangers Children in Alleged Insurance "Fraud Auto Accident Ring"

On April 13, 2000, Arkansas Insurance Commissioner Mike Pickens and representatives of the Insurance Department's Fraud Investigation Division announced successful collaborative efforts with the Fort Smith Police Department and the Federal Bureau of Investigation (FBI), which led to the arrests of suspects in a sophisticated "staged auto collision ring" involving the use of some of the suspects' children.

In "Operation Sudden Brake," police arrested 11 suspects on 77 charges including insurance fraud, theft by deception, endangering a minor, arson, and battery. It is alleged that children as young as seven and nine years old, whose parents planned and staged the collisions, participated as passengers in some of the targeted vehicles.



The 11 suspects were identified as: David Gipson, 28; Danny Gipson, 28; Melissa Gipson, 24; Syreatha Gipson 21; Debra Gipson, 31; Jaerrell Fielding, 54; Barry McCoy, 23; James Melton, 28; Chopper West, 25; Michael C. Thornton, Sr. 51; and Michael J. Thornton, Jr., 19.

The incidents took place over an extended period of time in the Fort Smith area.

The collisions, known as the "swoop and squat" technique, were staged with the goal of receiving quick settlements from insurance companies. The more individuals purported to be injured in the incident, the higher the settlement could become. Consequently, the car perpetuating the collision generally contained several people.

After reports of suspicious claims from insurance companies, the Insurance Department's Fraud Investigation Division was asked in March 1999 by the Ft. Smith Police Department to assist in the investigation.

"Our fraud investigation team worked very closely with the Ft. Smith Police Department and the FBI to break this major case of insurance fraud," Commissioner Pickens said. "We work very hard to prosecute fraud for the benefit of all insurance consumers. Most people don't realize the significant impact fraud has on the insurance industry and how it causes insurance premiums to increase.

We are committed to prosecuting and deterring fraud so consumers will not have to pay higher premiums."

The use of children, by having them pose as victims in some of the vehicles hit during the staged collisions, was particularly disturbing to Insurance Department and law enforcement officials. "It never ceases to amaze me the lengths people will go to commit insurance fraud," Clay Simpson, Fraud Investigation Division attorney, said. "The children were not only placed in danger, but were coached on how to fake injuries. "That's pretty appalling," Simpson said.

CRIMINAL CONVICTIONS

RAYMOND G. WOOD, Independence County. Subject (insurance agent) received premium payments from clients and premium finance companies and failed to forward payments to insurance carriers. Convicted of two counts of theft of property (Class B felony), one count of theft of property (Class C felony) and five counts of Class A misdemeanor theft of property. He was sentenced to five years supervised probation, 150 hours community service, \$750 fine, payment of court costs and \$7,304 in restitution.

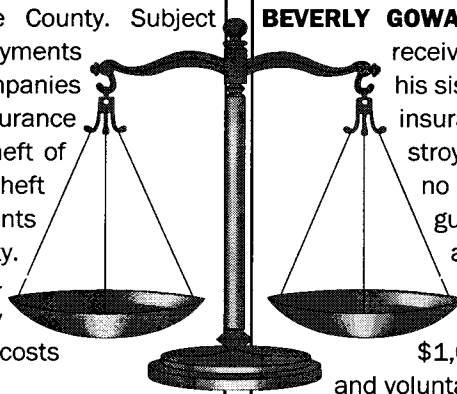
CHERYL A. COLE, Chicot County. Subject was involved in an accident and received two estimates of \$754 and \$415. The lower estimate was altered to \$831 and submitted to the insurance company. Pleaded guilty to attempt to commit insurance fraud (Class D felony) and received one year suspended sentence, court costs and \$500 fine.

RONALD H. BRUTON, Saline County. Subject (insurance agent) received payments from clients and failed to forward premiums to insurance carrier. Pleaded guilty to theft of property (Class B felony) and received 60 months probation, \$1,000 fine, 500 hours community service, court costs and full restitution of \$5,435 (paid prior to sentencing).

BARBIE CALDWELL, Lawrence County. Subject was embezzling funds from the insurance agency where she was employed as the manager. Pleaded guilty to committing a fraudulent insurance act (Class D felony) and received 120 days in the county jail, 12 months probation, 60 months in prison (suspended), restitution of \$12,366 (paid) and 100 hours of community service.

JAMES M. WELLS, JR., Pulaski County. Subject (insurance agent) forged former clients' names on documents to initiate insurance policy without clients knowledge. Pleaded guilty to two counts of forgery (Class C felony) and one count of committing a fraudulent insurance act (Class D felony). Received 5 years probation, surrender of license, restitution and court costs.

MARK HADDER, Phillips County. Subject submitted false claim of vandalism to his vehicle in order to bring the claim within the time frame before the policy lapsed. Pleaded guilty to theft of property (Class A misdemeanor) and received 10 days in jail, one year suspended sentence and restitution of \$816.



BEVERLY GOWAN, White County. Subject (insurance agent) received homeowner's insurance premiums from his sister and brother-in-law and failed to forward to insurance carrier. When victims' home was destroyed by a tornado, it was discovered there was no insurance on the home or contents. Pleaded guilty to theft of property (Class C felony) and attempt to commit a fraudulent insurance act (Class A misdemeanor) and received 5 years probation, 100 hours of community service, \$1,000 fine, court costs, \$12,000 in restitution and voluntary surrender of license.

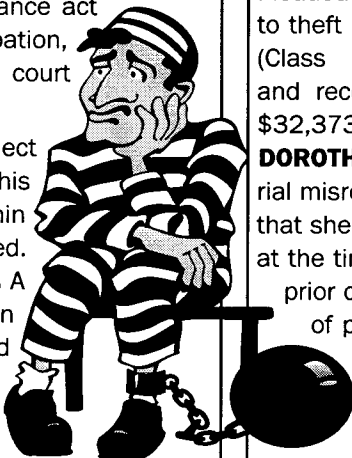
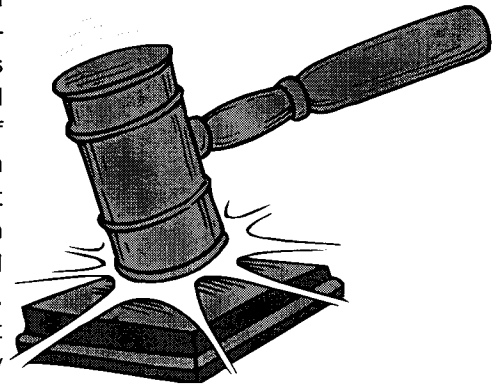
RONNIE SHEPHERD, Phillips County. Subject altered and inflated estimates for repair to his vehicle after it was involved in an accident. Pleaded no contest to theft of property (Class A misdemeanor) and received one year suspended sentence, court costs and \$500 fine.

CYNTHIA HENDERSON, Stone County. Subject worked for an insurance agent and filed false claims for herself and another client. She created false invoices to represent repairs and fraudulently received benefit payments. Pleaded guilty to falsifying business documents (Class A misdemeanor) and received one year's probation, \$1,000 fine, court costs, restitution of \$2,524 (already paid) and 120 hours of community service.

CORA MAE WILLIAMS, Drew County. Subject received a total of \$32,373 in workers' compensation benefits as an appointed guardian on behalf of her grandson and failed to remit the funds to him when he reached the age of 18. Pleaded no contest to theft of property (Class B felony)

and received 5 years probation, \$750 fine, restitution of \$32,373, court costs and 50 hours of community service.

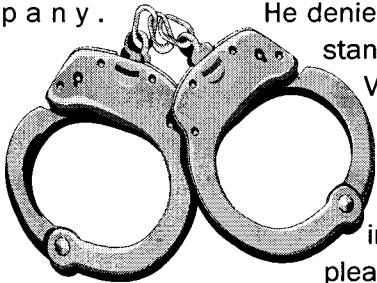
DOROTHY JOHNSON, Sebastian County. Subject made a material misrepresentation in a sworn deposition stating under oath that she had no prior workers' compensation injuries or claims at the time of the deposition when, in fact, she had numerous prior claims with previous employers. Pleaded guilty to theft of property (Class A misdemeanor) and received one year suspended sentence and restitution of \$2,772.





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DANIEL JONES, Craighead County. Subject filed a theft claim on his vehicle and was paid by the insurance company. He denied knowledge of the circumstances surrounding the theft.



Vehicle was found burned in a vacant field. Subject confessed to providing false information to police and insurance company and pleaded guilty to committing a

fraudulent insurance act (Class D felony) and received 5 years probation, \$1,000 fine, restitution of \$10,425 and 50 hours community service.

ROBERTA STODDARD, Washington County. Subject failed to advise her employer or its workers' compensation insurance carrier that she was earning wages while drawing total temporary disability. Pleaded no contest to attempt to commit workers' compensation fraud and received one year suspended sentence.

RODERICK WESLEY, Pulaski County. Subject reported that he was a victim of a shooting on the job and provided a copy of an alleged hate letter found on his route. He later confessed to police that the wound was self-inflicted. Pleaded guilty to workers' compensation fraud (Class D felony) and sentenced to 18 months in prison.

ROBERT W. BERRY, Sebastian County. Subject claimed he did not receive a benefit check related to a workers' comp injury and requested a replacement check, then cashed both checks. Pleaded guilty to theft of property (Class A misdemeanor) and received one year suspended sentence, \$250 fine, court costs and restitution of \$394.

MEET OUR NEW INVESTIGATOR

Monty Vickers was born and raised in Griffithville, Arkansas. After retiring from the Little Rock Police Department, he was employed as a special agent for the Union Pacific Railroad for eight years. Monty is married to Dainta and has four children. He collects old radios and they both enjoy traveling the country searching various antique shops for vintage models. They also enjoy gardening and yard work.

